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ABSTRACT

With the current pressures for increased accountability and improved productivity, financial management in the study of higher education has become increasingly important. This study examined whether the "how" or the "why" of management were more important to prospective budget administrators. The study hypothesized that an emphasis on the "why" of budget management would better prepare administrators for the increasingly dynamic world of higher education finance. The study used a review of the literature related to teaching budget management and a survey of faculty teaching financial management in 76 higher education programs. Participants were also asked to share copies of their course syllabi with the study. A total of 56 responses were received along with 42 course syllabi. Some findings included the following: (1) only 24 programs required students to take budget management; (2) the top rated subject within courses was the role of the state in financing higher education followed by financial planning; (3) fully two-thirds of the courses had content that balanced the philosophical underpinnings of finance of higher education and the budget planning and management function; and (4) the subject of budget management and finance appeared to be more topical than conceptual and required a wide cross-section of articles and texts. The paper concludes with a discussion of and recommendations regarding instruction in higher education financial management. (Contains 20 references.) (JB)

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The Study of Money: Science, Technology or Philosophy?

by

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This paper was presented at the annual meeting of the Association for the Study of Higher Education held at the Marriott Hotel, Orlando, Florida, November 2-5, 1995. This paper was reviewed by ASHE and was judged to be of high quality and of interest to others concerned with the research of higher education. It has therefore been selected to be included in the ERIC collection of ASHE conference papers.

Abstract

From external calls for more public accountability to internal initiatives aimed at improving productivity, the issue of financial management in the study of higher education has never been more important. This article presents research findings that suggest the study of "how to" manage budgets is far less important than the "why" of sound fiscal responsibility for graduate students in higher education.

Defining the Problem

The challenge was simple enough. I was to reconstruct a course in "Budget Management in Higher Education" that previously had proven to be the least popular part of the curricular core for our doctoral students in the higher education administration program. The previous effort conscientiously tried to ensure that students coming out of the course would be able to operate as budget managers precisely as a chief financial affairs officer would have them operate: efficient and compliant to standard operating procedures. Student complaints about the course centered around the emphasis upon accounting procedures that appeared to be idiosyncratic to the institution itself. They seemed to need and want both more and less. The question was "of what?"

There is little debate that a sound curriculum will blend science, technology and philosophy within its study. Finding out "what is?" provides the scientific knowledge necessary to comprehend questions about cause and effect. Answering questions such as "what will be the economic implications of the new demographics for higher education?" or "what is the potential impact of a balanced budget amendment upon student financial aid?" require acquisition of economic and sociological knowledge that provides the fuel necessary for an adequate response. Complementary

to this scientific grounding is the ability to apply technological skill in answering the question "what is effective?" How to use spreadsheets in constructing budget presentations or being able to analyze a budget printout using an accrual accounting procedure can be valuable technical information for budget managers. It was my premise, however, that it is in the realm of studying the philosophical question of "what is worthwhile?" that will allow prospective budget administrators to become most adaptive and responsive to the increasingly dynamic world of higher education finance. Before actually implementing a new course plan for students, I decided to test this hypothesis by reviewing the literature related to the teaching of budget management in higher education as well as finding out what my colleagues were doing in other Higher Education programs.

What the Literature Provided

There have been mounds of study done on financial management in higher education, but a dearth of research that provides information about how the subject is actually taught in programs that would prepare faculty and staff responsible for budget management in higher education. The subject of how we should finance higher education is part of the classical literature (Alchian, 1968; Hansen and Weisbrod, 1969 Alexander 1976; Bowen 1980), as well as the current debate (Leslie and Brinkman 1988; Layzell and Lyddon 1990; Froomkin 1990; Hearn and Griswold 1994; St. John 1994). This debate seems to have been fueled by the reform documents of the early 1980's such as Involvement in Learning (1984) and reinforced by political pundits who attempted to exert external pressure for greater accountability (Bennet 1986 and Finn 1988). The response by advocates of higher education has centered around such innovations as invigorating the planning function within higher education (Keller 1983), enrollment management (Hossler 1987) or the application of total quality management to higher education (Marchese 1991). The eternal questions of "who pays?" and

"who benefits?" have continued to be analyzed at the federal (Johnstone 1986; Kramer 1991; Breneman 1991), state (Layzell and Lyddon 1990; Fischer 1990) and local levels (Bowen and Breneman 1992; Simeck and Heydinger 1992).

As for literature directed at the actual implementation of budget strategy, the National Association of College and University Business Officers(NACUBO) has taken the lead in providing the most comprehensive text in the field which is College and University Business Administration (1982). The association has also published a text aimed at preparing budget managers, Meisinger and Dubeck's College and University Budgeting: An Introduction for Faculty and Academic Administrators (1984). More recently, William Vandament has written a text entitled Managing Money in Higher Education(1989 which is aimed at the faculty and staff budget unit director rather than business officers.

This has, in no means, meant to be a comprehension review of all sources available, but it represents the starting point from which I was able to discern what was out in the field and the various approaches that could be taken in selecting reference material for students needing to study budget management in higher education. What was left to do was to find out what was actually being used as background material in other programs as well as to discern the diversity of the curricular content used at preparing students to be responsible fiscal managers within their administrative job functions.

Findings of Study

The semester before I was scheduled to teach a course entitled "Budget Management in Higher Education," I sent a questionnaire to the program directors of 76 identified doctoral programs in the study of higher education. Aside from responding to the questionnaire, the respondents were

asked to send along a copy of their course syllabus related to budget management. Several programs in educational administration were eliminated because it was thought that courses such as "Financing Education" or "Financial Policy in Education" which combined secondary and postsecondary concerns would miss the emphasis our program placed on higher education. It was determined that the problems of and procedures used in budget management of higher education are unique and deserve to be addressed as such.

A total of 56 responses were received, along with 42 course syllabi. Of these 56 respondents, a total of 48 did offer a course related to budget management in higher education, but only 24 of them required such a course. Of the eight who responded that there was not a specific course in the subject of finance or budget management in higher education, seven of them did indicate that the subject was incorporated into a more general course in the administration of higher education.

Interestingly, of those who offered such a course, two-thirds of course titles emphasized "finance" while only eight (14.3 percent) identified "budgeting" or "budget management" within the title. Six others stressed "financial management" in the title. There were five other titles listed that reflected a specific program emphasis such as "Financial Issues in the Community College," "Financing Adult Education," or "Financial Trends in University Advancement."

The respondents were asked to rate the importance of studying various subjects within the area of finance. There were ten different subjects listed as well as an opportunity to add to the list. They were asked to rate the items listed as "5" meaning very important as a consideration in their course, "4" meaning important, "3" meaning helpful, "2" meaning not very important, and "1" meaning simply not included in the course. The top rated subject was "The role of the state in financing higher education." This received a mean rating of 4.429 with no one rating it less than

important. Next came "Financial planning" with a mean rating of 4.276. This was followed by a tie between "Philosophy of funding higher education" and "Budget management in higher education" with a mean score of 4.069. The final subject that made the top half of the subjects listed was "The role of the federal government" which had an average rating of just below "important" at 3.967. At the bottom of the ratings, tellingly, were some of the more specific subject areas such as "Retrenchment and reallocation strategies" which received a rating of only 3.655, "Revenue generation" which came in at 3.33, "Enrollment management" at 3.268 and the lowest rated among those listed "Spreadsheeting and accounting principles" which received a rating of only 2.593.

As mentioned, the respondents did have an opportunity to fill in additional subjects that were of importance. The most often mentioned was "planning strategies." One additional item that was volunteered by the respondents centered around the subject of state control (a couple used the descriptor"intrusive") of higher education. This was included in spite of the fact that "State role in financing higher education" was an option.

A review of the 42 syllabi provided reveals there is more convergence than divergence when it comes to course content. As indicated by the survey, the two main subject divisions involved finance of higher education and budget management of higher education. A review of the course content revealed that those courses emphasizing financial aspects were grounded in philosophy rather than technique while those that were budget management-oriented stressed the managerial role in planning, analysis and decision-making.

The importance placed on philosophy became even more apparent when the course in budget management were reviewed. Fully two-thirds of these courses had content that represented a balance between the philosophical underpinnings of the finance of higher education and the budget planning

and management function. Exploring the various ideologies, theories and policies regarding public and private support for higher education made up the majority of the course objectives. The general pattern appeared to be to establish sources of income, shift to expenditure formulation and then lead into consideration of the planning process that leads to decision-making techniques.

The courses that did stress technical skill emphasized terminology and then moved on to the acquisition, management and reallocation of budgetary resources. Topics like financial analysis of budget printouts, money management, asset management, external funding and accrual accounting, zero-based or responsibility-center budgeting were integrated into the course lessons.

One of the more revealing pieces of information to be gleaned from reviewing the course syllabi was the required reading for the various courses. It would appear that the definitive text on the budget and finance of higher education has not yet been written, or at least accepted as such by those of us who are responsible for selecting texts for such a course. No text was required by more than 20 percent of the syllabi. Among the courses that emphasized the philosophical aspects of financing higher education, the ASHE Reader on Finance in Higher Education was favored by one quarter of the 32 courses in this category. Of those stressing budget management, only two used the ASHE Reader. Various NACUBO publications were chosen by those who emphasized budget management with College and University Business Management being the most often used. Aside from the ASHE Reader, the most commonly required text for all courses was Meisigner and Dubeck's College and University Budgeting: An Introduction for Faculty and Academic Administrators. Another book deserving some mention is William Vandament's Managing Money in Higher Education which was used along with the ASHE Reader in six different courses. Also worthy of note is Layzell and Lyddon's Budgeting for Higher Education at the State Level: Enigma, Paradox, and Ritual

because of the importance placed on state funding issues by those rating content areas. This text was used primarily in courses which had a section on policy formulation. It is also noteworthy, however, that one out of five of the courses required no text, but rather used a compilation of required periodicals or a bibliography of books placed on library reserve. The inference drawn is that the subject of budget management and finance in higher education is more topical than conceptual and requires a wide cross-section of articles and texts instead of being limited to a few.

Conclusions and Recommendations

As we scan the environment of higher education today and prepare for tomorrow, few factors loom larger than the impact that the financial aspects of government support, college costs to students and budget reallocation might have on functional practice of the future administrative staff currently enrolled in our professional preparation programs. Still, little attention has been applied to the most effective methods for studying this vital subject matter. All one needs to do to appreciate the pervasive nature of concerns about finance in higher education is to compile a journal of popular press articles, features and editorials that concern themselves with the financial challenge being presented to or posed by institutions of higher learning. This, in fact, become the first exercise I had students carry on in the course I started teaching in the spring semester of 1994. The students quickly came to realize that they did not have to rely on The Chronicle of Higher Education for material. The Washington Post, New York Times, Columbus Dispatch or any of the weekly magazines were not at all reticent to report on and editorialize about the financial aspects of higher education. State leaders do not limit themselves to higher education forums to issue admonitions about how institutions must learn to do more with less.

Through the study that was conducted, the accompanying letters that provided invaluable

advice from colleagues and my teaching experience over the last two years, I have come to some conclusions that recommend themselves to others who have responsibility for the academic preparation of those who would study finance and budgeting in the administration of higher education. These observations have been integrated with my administrative background in having to manage budgets of offices, schools and colleges without the benefit of any substantial theoretical background in either accounting or economics. In other words, from the same situation as most all budget unit managers in higher education.

As for the course itself, I have arrived at the conclusion that it should represent a matrix of concerns about the financial aspects of higher education, but that these concerns should be considered primarily from a philosophical perspective. It has been pointed out that financial management is a comprehensive set of activities, involving nearly every institutional officer charged with helping to maintain the health of the organization (Hyatt and Santiago 1986, 2). As William Vandament points out, "an institution will achieve effective financial management only when there is a collective awareness of the roles individuals play in its financial health" (1989, 3). It is this activist role that needs to be instilled in students who would become effective budget managers. Such a role requires a respect for knowledge and the technical ability to apply it to budget decision-making, but a commitment to do what is worthwhile on behalf of the institution's mission is the philosophical mooring that is most necessary.

Furthermore, there is no need for there to be a schism between the philosophy of finance and the technique of budget management because the techniques should be tied into sound philosophical considerations. The key to effective budget management is to instill a sense of ownership for both the expenditure and revenue sides of the budgetary ledger. It has been said, "In the field of higher

education, financial management is almost synonymous with the budgeting of expenditures; little reference is made to the generation of revenues." (Vandament 1989, 6). This passivity when it comes to concerns about productivity cannot to combated through technique, but must be addressed through institutional policy that creates a culture that allows individuals to accrue benefits from such activism and will then commit to philosophically. In an interesting ASHE-ERIC Higher Education Report entitled Prices, Productivity, and Investment: Assessing Financial Strategies in Higher Education, Edward St. John suggests "adapting incentives in colleges and universities' merit consideration because these strategies hold the greatest potential for reducing excesses and making colleges more affordable." (1994, 86). Having students construct an expenditure budget from a technical standpoint is of moderate use to their future. Having them indicate how they would generate the revenues necessary to support such a budget becomes far more meaningful. Learning to accept budgets as a fait accompli is more of a philosophical than a technical perspective. The vast majority of the changes in the newly released second edition of Frederick Balderston Managing Today's University (1995) are related to the issues of efficiency and productivity that are seen as the best alternative to retrenchment in higher education. Such concerns must be built into the viable course in budget management.

When possible such courses should not be taught by current or former chief financial affairs officers. Several colleagues commented that the result of the CFO approach generally is a course on the care and maintenance of budgets rather than on the more substantive financial issues that are confronting higher education. The perspective that budget managers are best if they are long on compliance and short on asking why represents one of the fundamental ironies in the study of finance in higher education. If the beneficial aspects of total quality management are to be realized within

higher education, the assumption of ever greater responsibility by individual budget managers is required at the same time when macro-management budget determinations seem to becoming more standard through government control and institutional integrated financial information systems. Motivation rests with the individual and effective budget management finally comes down to the motivation of the individual. The most effective class nurtures this sense of responsibility.

One of the best methodologies for integrating responsible budget management techniques within the classroom setting is to have students take the initiative for developing a responsibility-center budget. While the efficacy of such budgeting techniques can be debated, the perspective of seeing expenditures as merely an investment that has the responsibility to accrue through off-setting revenue generation is invaluable to prospective budget managers. One of the key aspect of this project, however, needs to be that the students work in a team atmosphere that introduces competition for limited resources. It might be less efficient, but it forces students to work through the collegial accountability that, at its best, can convert this competition into a sense of cooperation by subjecting participants to responsibility for each other.

Finally, the performance standards of the course should attempt to replicate the actual functionality of budget managers rather than the more typical academic applications of doctoral students. Learning the terminology is important, but applying it in an articulation presentation is more relevant than being tested on it. Knowing the classical articles or current issues are part of the science of the course, but they must be moved into the philosophical perspectives of the students that can be best seen through direct application to problem solving case studies that, again, come as close as possible to get the students to perform as they well have to as administrators.

In summary, then, a course in financial management in higher education should instill an

assertive initiative in the students. St John has suggested that "On the one hand, we can wait and see what external forces impose upon us. On the other, we can begin to take some personal and professional responsibility for improving our learning communities by helping them adapt to a rapidly changing world" (1994, 117). The worth of a higher education program in general and a financial management course in particular could well be determined by our ability to build this objective into our curriculum.

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